



Committee on Taxation

May 26, 2010

Dear Members of Congress:

We are writing on behalf of the Committee on Taxation ("COT") of Financial Executives International ("FEI") to express our concerns with several of the significant tax increases included in H.R. 4213, the *American Jobs and Closing Tax Loopholes Act of 2010*.

While COT supports many of the pro-growth and recovery provisions in the bill (e.g., extension of the R&D credit, pension funding relief, an extension from subpart F for active business income, and an extension of the look-through rules for payments between related corporations), we cannot support several of the significant changes to long-standing U.S. international tax laws that are delineated in the proposed legislation. It is vital to our membership that American worldwide companies be able to equitably compete in an increasingly global economy. COT strongly urges that Congress makes changes to this bill so that any major international tax policy changes are addressed only in the context of a broader tax reform effort, in which a significant corporate tax rate reduction is considered concurrently.

FEI is a professional association representing the interests of more than 15,000 chief financial officers, treasurers, controllers, tax directors, and other senior financial executives from over 8,000 major companies throughout the United States and Canada. FEI represents both the providers and users of financial information. The FEI Tax Committee formulates tax policy for FEI in line with the views of the membership.

The \$14 billion in international tax increases in the bill indicate a significant shift in U.S. tax policy that will significantly hamper American companies' ability to compete in the global marketplace. This group of senior financial executives does not support the use of permanent tax increases to pay for temporary measures. Permanent changes to these long-standing U.S. international tax rules would have significant negative consequences on many U.S.-based worldwide companies and their U.S. employees. Several of COT's specific concerns with the legislation include:

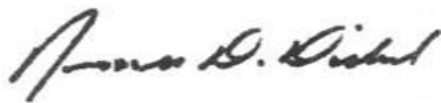
- Limitations on the use of Section 956 for foreign tax credit planning will hinder a long-standing method by which American worldwide companies have been able to repatriate overseas cash without draconian tax effects. During the recent economic downturn, American companies were able to deal with significant liquidity issues in the U.S. economy by repatriating funds from foreign affiliates.

- The denial of foreign tax credits with respect to foreign income not subject to U.S. taxation by reason of covered asset acquisitions could potentially increase the effective foreign tax rate on U.S.-based companies' future income. Section 338 affords companies the ability to characterize stock acquisitions as asset acquisitions for U.S. tax purposes. American worldwide companies should not be disadvantaged (in comparison to certain foreign competitors) by the tax implications related to sellers' form of "payment" in an acquisition deal. Acquisitions of foreign targets are good for the U.S. economy – adding additional U.S. jobs and broadening the U.S. tax base.
- Many of the revenue offset provisions in this bill are new and were created without input from affected taxpayers (e.g., no public hearings on the provisions). Moreover, several of the key provisions are retroactive and will affect taxpayers that have relied upon the rules in their long-term tax planning.

With more Americans out of work than any other time in the last 50 years, businesses in the U.S. have an obligation to get our citizens back to work. Other countries seem to understand this call to action, and are working tirelessly to lower tax rates and bring in businesses from around the globe. By passing H.R. 4213, the United States would be harming the competitiveness of American worldwide companies.

We welcome the opportunity to work with Congress in making sure that American businesses around the world continue to remain competitive. If you or your staff should have any questions, feel free to contact Matt Miller, Senior Director, Government Affairs at 202-626-7804 or mmiller@financialexecutives.org.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ron D. Dickel". The signature is fluid and cursive, with a large initial "R" and "D".

Ron Dickel
Chairman
FEI Committee on Taxation